

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 PA-01 PRS-01

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R 221745Z SEP 75

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 7340

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 7053

E.O. 11652: GDS

TAGS: EINV, ENRG, EC

SUBJECT: ADA CASE

1. RODRIGO BASTIDAS, ADA REPRESENTATIVE, AND CARLOS JIMENEZ, ADA'S UFKAL LAWYER, CALLED ON DCM SEPTEMBER 19 TO BRING HIM UP TO DATE ON ADA'S PROBLEMS. BASTIDAS ALSO ASKED THAT AMBASSADOR REPEAT DEMARCHE ON ADA'S BEHALF TO NEW MINISTER OF FOREIGN RELATIONS CARLOS AGUIRRE, ALTHOUGH HE POINTED OUT THAT AGUIRRE WAS FULLY AWARE OF ISSUES INVOLVED AND HAD OFFERED JIMENEZ CERTAIN ASSISTANCE IN SPEEDING THE PROCESS OF SETTLEMENT.

2. MOST PRESSING PROBLEM IS TWO-YEAR OLD CHARGE OF \$100,000 IN BACK TAXES, WHICH DATES FROM NULLIFICATION OF ADA CONCESSION BUT HAS NOT YET BEEN LEVIED AGAINST ADA DUE TO TAX OFFICE DELAY. BASTIDAS FEELS THAT CONSORTIUM MEMBERS WILL BE UNWILLING TO PAY \$100,000 IN BACK TAXES WITH \$26 MILLION CLAIM OUTSTANDING. ADA STILL MAINTAINS A WAREHOUSE IN GUAYAQUIL WHICH BASTIDAS FEARS COULD BE SECURED BY GOE FOR BACK-TAX PAYMENT. GUAYAQUIL WARE-
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HOUSE IS ALSO ONE OF ADA'S CONTINUING PROBLEMS. MAIN-

TENANCE COSTS ON WAREHOUSE ARE \$15,000 MONTHLY AND EQUIPMENT CANNOT BE RE-EXPORTED SINCE ADA'S RIGHT TO IMPORT DUTY-FREE EQUIPMENT WAS CANCELLED WHEN CONCESSION WAS NULLIFIED. BASTIDAS ALSO SAID CONSORTIUM MEMBERS ARE BECOMING RELUCTANT TO MAINTAIN CARRYING CHARGES ON GUAYAQUIL WAREHOUSE.

3. BASTIDAS ALSO FEARS THAT UNDER ECUADOREAN LAW LOCAL LAWYER JORGE PEREZ MAY BE PERSONALLY LIABLE FOR \$100,000 BACK-TAX CHARGE. BASTIDAS WHO STILL HAS ECUADOREAN RESIDENCE IS NOW ASSUMING ALL NECESSARY POWERS OF ATTORNEY TO AVOID FUTURE PROBLEMS FOR ECUADOREAN REPRESENTATIVES.

4. CARLOS JIMENEZ SAYS HE IS GOOD FRIEND OF NEW DEFENSE MINISTER ARRATA AND HOPES THAT ARRATA CAN ASSIST IN RESOLVING ADA CASE. HOWEVER, BASTIDAS SAID, CONSORTIUM MEMBERS ARE BECOMING INCREASINGLY TIRED OF PURSUING ADA CASE. BASTIDAS EMPHASIZED THAT PRESENT CONSORTIUM MEMBERS ARE NOT THOSE INVOLVED IN ORIGINAL NULLIFICATION OF ADA DECREE, AND URGED IN VIEW OF THESE AND OTHER FACTORS THAT RAPID ACTION BE TAKEN TO RESOLVE ADA CASE.

3. COMMENT: IN VIEW OF FINMIN AGUIRRE'S FAMILIARITY WITH THE CASE, AND HIS EARLIER OFFER OF ASSISTANCE, AMBASSADOR DOES NOT PROPOSE AT THIS TIME TO TAKE MATTER UP WITH AGUIRRE.
BREWSTER

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